MULTIMEDIA UNIVERSITY ®

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017 / 2018

BAC 1624 – MANAGEMENT ACCOUNTING 1
(All Sections/Groups)

2nd MARCH 2018
9.00AM - 12.00PM
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages (excluding cover page) with **FIVE** questions only.

2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Write your answers and workings in the Answer Booklet provided.

QUESTION 1

Sempoi Industries Sdn. Bhd. produces plastic ice cube trays in two processes: heating and stamping. All materials are added at the beginning of the Heating Department process. Sempoi uses FIFO method to compute the equivalent units.

On 1 November, the Heating Department had 1,000 trays in process that were 80% complete. During November, it started 12,000 trays into production. 2,000 trays that were 60% complete were in process by the end of the month.

The following cost information for the Heating Department was available:

Work in process, 1 November:	
Material	RM640
Conversion costs	360
Cost incurred during November:	
Material	RM3,000
Labour	2,300
Overhead	3,970

Required:

a) Compute the equivalent unit of production for material and conversion.
(6 marks)

b) Determine the unit cost for material and conversion.
(3 marks)

c) Show the assignment of costs to the units transferred out and in process at the end of the month.
(4 marks)

d) Journalize the transfer of costs to the Stamping Department.
(2 marks)

e) Would your answer in a) be different if the company adopted the weighted average method? Explain and support your answer with calculations.
(5 marks)

[TOTAL 20 MARKS]

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QUESTION 2

Marina Pottery Sdn. Bhd. produces quality vases. The company operates one of its plant in Langkawi, Kedah. The plant produces two types of vase: the Classic design and Contemporary design. Encik Ikhwan, the president of the company, recently decided to change from a volume-based costing system to activity-based costing system. Before making the change companywide, he would like to assess the effect of the change in the costing system on the Langkawi Plant. This plant was chosen because it produces only two types of vase while most of the other plants produces at least a dozen.

To assess the effect of the change, the following data has been gathered:

Vase	Quantity	Prime Costs	Maintenance (machine hours)	Material Handling (number of moves)	Setups (number of setups)
Classic	200,000	RM700,000	50,000	700,000	100
Contemporary	50,000	RM250,000	12,500	100,000	50

Overhead costs for the period are estimated as follows:

Maintenance	RM250,000
Material handling	300,000
Setups	450,000

Under the current system, the cost of maintenance, material handling and setups are assigned to the vases on the basis of machine hours.

Required:

(a) Compute the cost per unit for each vase type using the current cost system.
(4 marks)

(b) Determine the cost per unit of each vase type using activity-based costing system.
(7 marks)

(c) Based on your answers in a) and b) above, comment on the comparative cost per unit for both vase types. Which costing method is more appropriate in allocating the overhead costs? Justify your answer.
(5 marks)

(d) Explain how traditional costing approaches may produce distorted costs of products.
(4 marks)

[TOTAL 20 MARKS]

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QUESTION 3

Matahari Landscape Sdn. Bhd. produces small plant stands which sells for RM25 each. The company's annual level of production and sales is 120,000 units.

In addition to RM430,500 of fixed manufacturing overhead and RM159,050 of fixed administrative expenses, the following per unit costs have been determined for each unit:

Direct material	RM6.00
Direct labour	RM3.00
Variable manufacturing overhead	RM0.80
Variable selling expense	RM2.20

Required:

(a) Prepare variable costing income statement at the current level of production and sales.

(4 marks)

(b) Determine the break-even point in units and in Ringgit Malaysia (RM).

(2 marks)

(c) Compute the margin of safety ratio and explain the significance of the ratio to the company.

(3 marks)

(d) Calculate the company's degree of operating leverage. Assuming if the sales increase by 25%, determine the effect (in percentage change) on the company's net income.

(3 marks)

(e) The company is considering the option to increase its fixed manufacturing overhead by RM7,865 as part of their expansion strategy. How many plant stands units must be sold if the company has a desired net income earning of RM657,800 and is subjected to a 20% tax rate?

(4 marks)

(f) The company received an offer from a Singaporean company to buy 4,000 plant stands at RM20 per unit. The variable selling expense per unit of the additional units will be RM2.80 (rather than RM2.20) and RM18,000 additional fixed administrative expense will be incurred. This sale will not affect the current domestic sales or their cost. Should the company accept the offer?

(4 marks)

[TOTAL 20 MARKS]

Continued...

QUESTION 4

PART A

In preparing the cash budget, Perfect Berhad needs to project its ability to collect its debt from its customers for its first quarter of 2018. The following information was taken from the sales budget of the company:

Perfect Berhad
Sales Budget: Type of Sale
For the quarter ended 31 March 2018

	Month			1st Quarter
	January	**February**	**March**	
	RM	**RM**	**RM**	**RM**
Type of sale:				
Cash sales (10%)	135,000	159,000	160,000	454,000
Credit sales (90%)	1,260,000	1,341,000	1,460,000	4,061,000
Total sales revenue	1,395,000	1,500,000	1,620,000	**RM4,515,000**

Based on its collection history, the company expects 80% of credit sales is collected in the month after the sale, 15% is collected two months after the sales and the remaining 5% is never collected.

Credit sales for the previous last quarter of 2017 are as follows:

	RM
October	1,285,200
November	1,360,800
December	1,234,800

Required:

a) Prepare the *schedule of expected cash collections* of Perfect Berhad for the first quarter of 2018.

(8 marks)

b) Explain how the preparation of a cash budget contributes to a more effective cash management within a company.

(2 marks)

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PART B

Swift Company's master budget included the following fixed budget report. It is based on a projected production and sales volume of 20,000 units.

Swift Company
Fixed Budget Report
For the year ended 31 December 2017

	RM	RM
Sales		3,000,000
Cost of goods sold:		
Direct materials	1,200,000	
Direct labour	530,000	
Machine repairs	58,000	
Depreciation - Plant Equipment	50,000	
Utilities	125,000	
Plant management salaries	140,000	2,103,000
Gross Profit		897,000
Selling expenses:		
Packaging	60,000	
Shipping	120,000	
Sales salary	160,000	340,000
General and administrative expenses:		
Advertising expenses	81,000	
Salaries	241,000	
Entertainment expenses	92,000	414,000
Income from Operations		**RM143,000**

Additional information:

(i) Machine repairs are attributed as variable costs.
(ii) 20% of the utilities costs incurred are fixed.
(iii) Salaries for plant management are paid in a fixed annual amount.
(iv) All general and administrative expenses were recognised as fixed costs.

Required:

Prepare a *flexible budget* for the company at a sales volume of 22,500 units.

(10 marks)

[TOTAL 20 MARKS]

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QUESTION 5

Viva Manufacturing Berhad is engaged in the manufacturing of cosmetics. The company has decided to adopt standard costing in 2017. It plans to apply the overheads on the basis of direct labour hour (DLH).

The following information was taken from the annual manufacturing overhead budget prepared by the company at the beginning of 2017:

Variable manufacturing overhead	RM190,000
Fixed manufacturing overhead	RM129,200
Normal production level:	76,000 DLH
	38,000 units

During the year, 36,750 units were produced, 73,500 hours were worked, and the actual manufacturing overhead costs were RM314,200. There was no variation in the actual fixed manufacturing overhead costs for the year. Management has established a tolerable variation threshold of 5% to warrant further investigation.

Required:

a) Determine the fixed, variable and total predetermined manufacturing overhead rates.

(3 marks)

b) Calculate the following variances:
 (i) Total overhead variance
 (ii) Controllable overhead variance
 (iii)Volume overhead variance

(8 marks)

c) Briefly interpret the overhead controllable and volume variances computed in b).

(4 marks)

d) Explain the concept of management by exception. Should the company further investigate the total overhead variance calculated in b)?

Show workings where necessary to justify your answer.

(5 marks)

[TOTAL 20 MARKS]

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